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SUBJ: DROBOT VIEWS ON WESTINGHOUSE DECISION TO CLOSE

INDIA OFFICE

SUMMARY: JAN CROBOT HAS ASKED US TO FORWARD HIS RECOMMENDATIONS FOR WESTINGHOUSE POLICY IN INDIA. DROBOT CLAIMS THAT THIS INFORMATION IS UNKNOWN TO WESTINGHOUSE EXECUTIVES. THESE VIEWS FOLLOW: END SUMMARY.

1. ACCORDING TO DROBOT, THE WESTINGHOUSE ATTORNEY J. DADACHANJI AND THE CHARTERED ACCOUNTANT VERMA, ESTIMATE DROBOT'S TOTAL TAX EXPOSURE FOR THE WHOLE PERIOD OF HIS STAY IN INDIA TO ABOUT \$250,000 INCLUDING A 100 PERCENT PENALTY. THE PENALTY REPORTEDLY APPLIES TO ONLY THREE YEARS OUT OF DROBOT'S SIX-YEAR SERVICE HERE. THE CUMULATIVE MAXIMUM EXPOSURE FOR THE VIOLATION OF FOREIGN EXCHANGE REGULATIONS "COMMITTED BY DROBOT AND BY WESTINGHOUSE" ADDS UP TO NO MORE THAN \$100,000. THE TOTAL EXPOSURE "SHOULD NOT EXCEED \$350,000".

2. DROBOT OBSERVED THAT AS A RESULT OF THE WORK DONE BY LYONS, MILLER AND MCMAHON TOGETHER WITH DADACHANJI AND VERMA, SUBSTANTIAL GOOD WILL HAS BEEN CREATED AMONG THE

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INDIAN OFFICIALS DEALING WITH THE DROBOT-WESTINGHOUSE CASE.

THESE OFFICIALS HAVE BEEN REPEATEDLY ASSURED THAT WESTINGHOUSE WANTS A SETTLEMENT AND THE REHABILITATION OF ITS REPUTATION. PROCEEDINGS ON INCOME TAX AND FOREIGN EXCHANGE ARE VERY ADVANCE AND IN THE FINAL STAGE.

3. DROBOT IS NOT CERTAIN THAT CRIMINAL PROSECUTION CAN BE AVERTED, BUT HE HOPES, IF NOT BELIEVES, THAT THE GOI WILL HESITATE TO INSTITUTE SUCH PROCEEDINGS. SUCH ACTION WOULD HAVE INCALCULABLE BUT INEVITABLY ADVERSE EFFECTS DETRIMENTAL TO INDIA'S OWN INTEREST. IT WOULD DISCOURAGE INVESTMENT BY US AND POSSIBLY OTHER FOREIGN FIRMS. FURTHERMORE, THE DROBOT-WESTINGHOUSE VIOLATIONS OF TAX AND FOREIGN EXCHANGE REGULATIONS ARE NOT UNIQUE AS THERE HAVE REPORTEDLY BEEN HUNDREDS OF SIMILAR CASES. TO THE BEST OF OUR KNOWLEDGE ALL OF THESE HAVE ENDED IN FINANCIAL SETTLEMENT. WHILE THERE IS NO GUARANTEE THAT SIMILAR TREATMENT WOULD BE ACCORDED IN THIS CASE TOO, THE INEVITABILITY OF CRIMINAL PROSECUTION SHOULD NOT BE TAKEN FOR GRANTED.

4. DROBOT ALSO OBSERVED THAT CLOSING THE WESTINGHOUSE OFFICE IN INDIAN BEFORE FINAL SETTLEMENT IS EITHER REACHED OR PROVES UNATTAINABLE WOULD, IN ALL PROBABILITY, INFURIATE THE GOI AND COULD CONCEIVABLY RESULT IN THE FOLLOWING COUNTERMEASURES:

A) SEIZURE OF ALL WESTINGHOUSE ASSETS AND RECEIVABLES IN INDIA. ACCORDING TO DROBOT THESE ARE:

(I) ABOUT \$200,000 DUE FOR SO-CALLED SURPLUS MATERIAL FOR THE BANDEL PROJECT;

(II) ABOUT \$100,000 KEPT BY WESTINGHOUSE (IN RUPEES) IN THE "MWK TRUST ACCOUNT" WITH FIRST NATIONAL CITY BANK IN CALCUTTA.

BOTH AMOUNTS ARE "ELIGIBLE FOR CONVERSION INTO US DOLLARS".

(III) ALL CASH INCLUDING FIRM DEPOSITS WITH FIRST NATIONAL CITY BANK IN NEW DELHI AMOUNTING TO ABOUT \$20,000.

(IV) PROBABLE PROCEEDS OF SALE OF ACEC INDIA, AMOUNTING TO ABOUT \$90,000.

(B) THE INITIATION OF LEGAL PROCEEDINGS AGAINST WESTINGHOUSE DEMANDING PAYMENT OF \$600,000 AS COMMISSION DUE TO BATTACHARJEE, WHO WAS SPECIAL SALES REPRESENTATIVE FOR THE BANDEL PROJECT. LIMITED OFFICIAL USE

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(C) THE BLACKLISTING OF WESTINGHOUSE FOR ALL FUTURE TENDERS IN INDIA, INCLUDING THOSE FINANCED BY THE WORLD BANK.

(D) ADVERSE PUBLICITY AGAINST WESTINGHOUSE AND US MULTINATIONAL CORPORATIONS.

(E) IMMEDIATE ARREST OF JAN DROBOT.

(F) ANY REOPENING OF NEGOTIATIONS FOR A REASONABLE SETTLEMENT AT A LATER DATE WOULD BECOME PRACTICALLY

IMPOSSIBLE.

5. DROBOT CLAIMS THAT THE WESTINGHOUSE OFFICE IN NEW DELHI COULD BE MAINTAINED ON A MORE MODEST SCALE. HIS OWN COMPENSATION COULD BE REDUCED TO ABOUT \$600 A MONTH PLUS ANOTHER \$100 FOR EXPENSES. HE BELIEVES THAT WITH MAXIMUM ECONOMIZING IT WOULD BE MAINTAINED FOR ABOUT \$3,500 A MONTH.

6. HE ASSERTED THAT HOPEFULLY, SETTLEMENT OF THE DROBOT-WESTINGHOUSE CASE AND DROBOT'S RELEASE SHOULD TAKE NO LONGER THAN SIX MONTHS WHILE WESTINGHOUSE WOULD BE PROTECTING ASSETS AND RECEIVABLES AMOUNTING TO SOME \$400,000 FOR SIX MONTHS AT A COST OF ONLY \$20,000. IT COULD ALSO MAINTAIN WESTINGHOUSE PRESENCE IN THE INDIAN MARKET.

7. DROBOT SPECIFICALLY REQUESTED THAT THE WESTINGHOUSE WASHINGTON OFFICE BRING HIS VIEWS TO THE ATTENTION OF THE FOLLOWING CORPORATE OFFICIALS: D. C. BURNHAM, CHAIRMAN; G. L. WILCOX, VICE CHAIRMAN, CORPORATE AFFAIRS; C. H. WEAVER, PRESIDENT, WORLD REGIONS.
MOYNIHAN

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